

HUMAN RESOURCE INFORMATION SYSTEM

FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

Table of Contents

Department of Labor (DOL) Rule Change	3
Impacted Job Classifications and Employees.....	3
Managers and Supervisors Manual	4
Hiring Justification Form	4
Position Description Questionnaire (PDQ)	4
Applicant Tracking System	4
Special Pay/Appointment Action Form – Advanced Appointment Rate (AAR) Only.....	5
M-5 Documents	5
When creating a new position in HRIS.....	5
When a position becomes vacant.....	5
When an employee promotes/demotes/transfers into an affected position	5
When an employee crosses the wage threshold	5
AFSCME Fiscal and Staff-Field Status Employees.....	6
P-1 Documents.....	7
Time Reporting.....	8
Timeliness of M-5s and/or P-1s	8
Data Warehouse Reports.....	8
Checklist	9

FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

Department of Labor (DOL) Rule Change

Employees who are covered by the Fair Labor Standards Act (FLSA) are provided minimum wage and overtime pay protections. These protections are not provided to employees who are considered exempt under the FLSA. Employees are FLSA-exempt if they meet the following three criteria: 1) are salaried (“salary basis test”), 2) perform primarily executive, administrative, or professional duties (as defined by the DOL) (“duties test”), and 3) currently earn \$455 per week or \$910 biweekly (“salary level test”).

The DOL recently implemented a new rule on the salary and compensation levels needed for executive, administrative, and professional workers (aka “white collar”) to be exempt from the FLSA. This new rule is effective December 1, 2016, and for payroll purposes will take effect as of the November 18, 2016, pay period. In part, the final rule:

1. Changes the “salary level test” threshold, below which employees are FLSA-covered and eligible for premium overtime pay. The standard salary level will be set at the 40th percentile of earnings of full-time salaried workers in the lowest-wage census region, currently the South (\$913 per week; \$1,826 bi-weekly).
2. Establishes a mechanism for automatically updating the salary and compensation levels every three years to maintain the levels at the above percentiles and to ensure that they continue to provide useful and effective tests for exemption.

Impacted Job Classifications and Employees

Any job classification (class) that is currently FLSA-exempt with a minimum base salary of less than \$913 per week, or \$1,826 biweekly, will be impacted by the DOL rule change. The affected job classes currently have varying overtime pay eligibility and include classes that are not eligible for overtime pay, are eligible for straight (hour for hour) overtime pay, or are eligible for premium (time-and-a-half) overtime pay after 80 hours in a pay period. These different eligibilities are due to contract language that provides a greater benefit for the employee than the federal law requires.

With the implementation of the DOL rule change, any employee in one of the affected job classes whose base salary¹ is less than \$1,826 biweekly will become FLSA-covered and be eligible for premium overtime pay after 40 hours in a week. When an employee crosses the wage threshold and his or her base salary is greater than \$1,826 biweekly, he or she will become FLSA-exempt and will no longer be eligible for premium overtime pay. If the employee is covered by a collective bargaining agreement (CBA), the employee will then receive overtime pay in accordance with the CBA applicable to his or her job class.

To ensure employees in the affected job classes are paid for overtime at the correct rate, new class codes have been established in HRIS. These new class codes are in the 50000 series and will allow employees earning a biweekly base salary of less than \$1,826 biweekly to receive premium overtime pay as required by the changes to the FLSA White Collar Exemption Law. These new class codes are in addition to, not in place of, the existing class codes of the affected job classes.

¹ When “base salary” is referred to in this document, it means the biweekly base amount found on an employee’s Employee Information screen. An employee in an affected job class who has a biweekly base of less than \$1,826 biweekly is FLSA-covered. An employee with a biweekly base greater than \$1,826, even if the employee earns less than that amount in a pay period (due to reduced or part-time hours), is FLSA-exempt.

FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

For ease of understanding in this manual, we will refer to the existing class code as the FLSA-exempt class code, and the new class code established for DOL purposes as the 50000 series class code. When an employee's biweekly base salary is greater than the DOL threshold of \$1,826 biweekly, he or she must be in the FLSA-exempt class code. If an employee's base salary is under the DOL threshold, he or she must be in the 50000 series class code that is covered under the premium overtime pay regulations.

There are some job classes that already have multiple class codes in the system. These may exist because of different retirement codes and/or collective bargaining coverage. For example, the Accountant 2 job class has both 00311 (AFSCME-covered) and 90311 (non-contract) class codes. As a result, there will be two Accountant 2 class codes established in the 50000 series; one for the AFSCME-covered class and one for the non-contract class. It is important to use the class code applicable for the employee's current retirement plan eligibility and/or collective bargaining status.

Current Class Code	Class Title	Bargaining Unit	Class Code for FLSA coverage
00311	ACCOUNTANT 2	AFSCME	50311
90311	ACCOUNTANT 2	Non-Contract	59311

A list of the affected job classes can be found here:

https://das.iowa.gov/sites/default/files/hr/documents/class_and_pay/FLSACChangeJobClasses.pdf

Managers and Supervisors Manual

The [Managers and Supervisors Manual, Chapter 5.30 Overtime and Compensatory Time](#) includes information related to the changes that will occur when an employee in one of the job classes affected by the DOL rule change moves between a 50000 series class code and an FLSA-exempt class code. Communication will need to start with the employee's manager/supervisor, but individual communication will be needed to assist the employee in understanding the change to his or her position.

Hiring Justification Form

For new positions, use the 50000 series class code in the position number. For existing positions that are being refilled, enter the position number as it currently exists.

Position Description Questionnaire (PDQ)

For vacant positions, use the 50000 series class code if the position is new; otherwise, enter the position number as it currently exists. If the PDQ is for a filled position, enter the employee's current position number. DAS will complete the new position number field on the PDQ upon completion of the review.

Applicant Tracking System

When creating a requisition in the applicant tracking system for a vacancy in an affected job class, enter the class code that was used on the hiring justification form and PDQ. Once a hire has been made, the position number entered on the disposition form must have the correct class code based on the employee's starting salary. If the person hired is paid below the \$1,826 biweekly threshold, the position number on the disposition form should have the 50000 series class code. If the person hired is paid above the \$1,826 biweekly threshold, the position number on the disposition form should have the FLSA-exempt class code.

FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

If an employee is hired at a base salary below the threshold of \$1,826 biweekly, the employee should be made aware the position is eligible for premium overtime pay until the salary threshold is met. Once the salary threshold is met, the position will become FLSA-exempt.

Special Pay/Appointment Action Form – Advanced Appointment Rate (AAR) Only

If submitting an AAR request, enter what the class code should be if the AAR is approved. For example, if the AAR request is for a biweekly rate of \$2,000, use the FLSA-exempt class code in the position number. For all other requests, enter the employee's current position number.

M-5 Documents

A new M-5 type 260 FLSA Class Code Change (265 for Non-Executive) has been developed to change the class code of an affected job class/employee between the 50000 series class code and the FLSA-exempt class code, and vice versa. To complete this M-5, the class code number and seat number must be entered on the TO side of the M-5. The field status may be updated on this M-5 as well, if applicable. The M-5 type changes the position record accordingly.

When creating a new position in HRIS

When creating a new position in HRIS for one of the affected job classes, always use the 50000 series class code. If the base salary of the person hired to fill the position will be greater than \$1,826 biweekly, an M-5 type 260 FLSA Class Code Change (265 for Non-Executive) must be completed to change the class code from the 50000 series class code to the FLSA-exempt class code. The M-5 must process prior to completing the P-1 for the hire.

When a position becomes vacant

When an existing position in one of the affected job classes becomes vacant, nothing should be done to the position in HRIS until a new person is hired into the position and his or her starting salary is known. At that time, an M-5 type 260 FLSA Class Code Change (265 for Non-Executive) can be created if the position's class code needs to be changed. If an M-5 is done, it must process prior to completing the P-1 for the hire.

When an employee promotes/demotes/transfers into an affected position

Before completing the applicable P-1 to promote/demote/transfer an employee into a position in an affected job class, the position number should be reviewed to determine whether the class code is correct. Depending on the employee's starting salary, the class code may need to be changed to the 50000 series class code or the FLSA-exempt class code, which can be done by completing an M-5 type 260 FLSA Class Code Change (265 for Non-Executive). If the class code needs to be updated, the M-5 must process prior to completing the P-1 for the hire.

When an employee crosses the wage threshold

When an employee in one of the affected job classes crosses the base salary wage threshold of \$1,826 biweekly, he or she must be moved from the 50000 series class code to the FLSA-exempt class code. The threshold may be crossed upon receipt of a merit (step) increase or across-the-board (ATB) increase. The increase P-1 that brings the employee's salary above the wage threshold must be processed first. After that P-1 processes, the M-5 type 260 FLSA Class Code Change (265 for Non-Executive) must be written and processed, followed by a P-1 type 694 FLSA Class Code Change (695 for Non-Executive).

If you have an employee in a non-contract job class who crosses the wage threshold upon receipt of a prior pay period increase, please contact DAS-HRE Pre-Audit or DAS-SAE Centralized Payroll for further assistance.

FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

AFSCME Fiscal and Staff-Field Status Employees

For AFSCME Fiscal and Staff employees that are field status, the field status code must be updated when the employee changes from a 50000 series class code to an FLSA-exempt class code, and vice versa. When the employee is in the 50000 series class code, the field status must be set to 'O' FIELD WITH OVERTIME. When the field status employee is moved from the 50000 series class code to the FLSA-exempt class code, the field status must then be changed to the applicable field status code. The M-5 type 260 FLSA Class Code Change has a line for field status that can be used to update the field status as part of this process.

Example of the M-5 type 260 FLSA Class Code Change

```

D3325561 ACT: _      +--- POSITION CHANGE (M-5) -- +----- M-5 TYPE -----+
PRINTER:           | 005-123-1234-00311-002 | 260 FLSA CLASS CHG |
+-----+-----+ M-5 NUMBER....: 01-2345 |----- APPROVED BY -----|
| M-5 STATUS      | EFFECTIVE DATE: 07/15/2016 | PA DEPT COMP PROC |
| PENDING PA APPROVA | COST CENTER...: 005-542004 | NO NO NO NO      |
+-----+-----+-----+-----+-----+-----+
REMARKS:

----- F R O M ----- D E S C ----- T O -----PAGE : 1 OF 1
          005 | AGENCY |
          123 | APPROP UNIT |
          1234 | ORG CODE |
ACCOUNTANT 2          50311 | CLASS CODE | 00311 ACCOUNTANT 2
                   002 | SEAT NUMBER | 002
DAS COST CENTER 005-542004 | COST CENTER | -
PERM FULL TIME-MERT 00 | POSITION TYPE*|
SUPERVISORY S | POSITION ELIG*|
P-5 APPROVED 1 | FUNDING CODE* |
NOT FIELD STATUS N | FIELD STATUS* |
                   1.000 | FTE |
                   | |
                                     * INDICATES SELECTION LIST

-----
O POS INFO L ACT LOG H HRD CPY P PROOF Y APPROVE N UNAPPROVE C CANCEL D DENY
R REMARKS S SEL LIST P1 P-1S PF7 BKWD PF8 FWD PF9 HELP PF12 RETURN CLEAR EXIT

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FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

P-1 Documents

In addition to the new M-5 type 260 FLSA Class Code Change (265 for Non-Executive), a new P-1 type 694 FLSA Class Code Change has been developed (695 for Non-Executive). This new P-1 type will update the class code in the employee's record (the M-5 updates the class code in the position record).

This new P-1 type should only be used when an employee has crossed the wage threshold and an M-5 type 260 FLSA Class Code Change (265 for Non-Executive) has processed to change the employee's class code from the 50000 series class code to the FLSA-exempt class code. A P-1 type 694 FLSA Class Code Change (695 for Non-Executive) will then need to be written to complete the update to the class code. The only information that should change on the P-1 is the Position Number (specifically the class code within the Position Number).

If you have an employee in a non-contract job class who crosses the wage threshold upon receipt of a prior pay period increase, please contact DAS-HRE Pre-Audit or DAS-SAE Centralized Payroll for further assistance.

Example of P-1 type 694 FLSA Class Code Change

D3325065 ACT: _		REPORT OF PERSONNEL ACTION (P-1)		----- P-1 TYPE -----	
PRINTER:		L NAME, F NAME MI		694 FLSA CLASS CHG	
-- P-1 STATUS --		P-1 NUMBER: 1234567		----- APPROVED BY -----	
NEEDS PA APPV		EFFECTIVE DATE: 07/15/2016		PA DEPT COMP PROC	
OPTIONAL REMARKS*		INITIATED BY: 005-333331		NO NO NO NO	
REMARKS:					
----- F R O M ----- D E S C ----- T O ----- PAGE 1 OF 1					
DAS COST CENTER		005-542004		COST CENTER -	
005-C85-5330-50311-002		POSITION NUMBER		005-C85-5330-00311-002	
26		PAY GRADE			
ACCOUNTANT 2		CLASS TITLE			
23.27 / HR 1,861.60		BASE SALARY		1,861.60 23.27 / HR	
00		BASE STEP		00	
07/14/2017		STEP INCR. DATE		07/14/2017	
BI-WEEKLY 03		MODE OF PAY*		03 BI-WEEKLY	
----- * INDICATES SELECTION LIST					
? ACTION HELP		PF7 PREV		PF8 NEXT	
		PF9 HELP		PF12 RETURN	
				CLEAR EXIT	

FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

Time Reporting

When an employee moves from a 50000 series class code to an FLSA-exempt class code, his or her overtime pay eligibility may change. Cancelling and rewriting the timesheet after this movement ensures that the employee will have the proper overtime calculations based on his or her current class code. During each pay period that a department moves an employee to an FLSA-exempt class code from a 50000 series class code, the current timesheet will need to be cancelled and rewritten after both the M-5 and P-1 have processed.

If a department uses PAYN for reporting time, all entries for an employee must be made after both the M-5 and P-1 have processed to move the employee to his or her new 18-digit position number.

Timeliness of M-5s and/or P-1s

It is important all M-5s and P-1s that impact an employee's pay be processed in a timely fashion. As soon as a Human Resources Associate (HRA) is made aware that an individual has been hired in an affected job class, the HRA should check the position number in HRIS to ensure the class code is correct based on the employee's starting salary. If the class code is not correct, an M-5 type 260 FLSA Class Code Change (265 Non-Executive) must be completed to update the class code, and the M-5 must process before the HRA can write the P-1 to put the person hired in the position. Failure to check the position number and/or write the M-5 timely may delay processing of the P-1 to put the person in the position.

Agencies also need to be proactive about watching for employees who are approaching the wage threshold to ensure that the change in FLSA status occurs in the same pay period in which the threshold is crossed. There are limited HRIS updates in a pay period, and at least four updates are required to complete the process when an employee crosses the threshold: 1) the increase P-1 bringing the employee's base salary above the \$1,826 biweekly threshold, 2) an M-5 type 260 FLSA Class Code Change (265 Non-Executive), 3) a P-1 type 694 FLSA Class Code Change (695 Non-Executive), and 4) the timesheet must be canceled, rewritten, and fully approved. Each step must fully process before the next step can be completed and it is recommended that all steps be completed prior to the preliminary payroll journal. This will allow the HRA to check the preliminary journal and verify the employee will be paid correctly.

Data Warehouse Reports

Data Warehouse Report titled FLSA Class Code Change (SAE-WN2001) will be published in December 2016 for the Human Resources Associates (HRAs) to utilize as a tool to track employees who are reaching and/or have exceeded the DOL wage threshold for premium overtime pay. This report should be run on a biweekly basis to ensure employees have not had a wage change that requires movement between the 50000 series class code and the FLSA-exempt class code.

The report has three tabs:

1. The first tab will show any employee who is not in a 50000 series class code, does not receive premium overtime pay, and has a base salary under \$1,826 biweekly. Under the new DOL FLSA rule, these employees would be eligible for premium overtime pay and would need to be moved to a 50000 series class code.
2. The second tab will show any employee who is in a 50000 series class code who has a base salary above \$1,826 biweekly. This employee would no longer be eligible to be in the 50000 series class code and would need to be moved.

FAIR LABOR STANDARDS ACT (FLSA) CLASS CODE CHANGES MANUAL

3. The third tab will show any employee who is in a 50000 series class code along with his or her salary review date. If there are any employees who show up on tab 2 of this report, he or she will also be listed on this tab. This report is intended to be used by the HRA to monitor those employees for salary changes that will move them between the 50000 series class code and the FLSA-exempt class code.

In addition to the data warehouse reports prepared for HRA usage, error messages have been added to reports received by DAS as part of the normal biweekly payroll process. These messages will alert DAS, after the fact, if an employee should have been moved between class codes. These reports will be especially important during across-the-board wage changes, when it is possible employees may move between a 50000 series class code and a FLSA-exempt class code.

Checklist

Employee who has been hired for an affected job class (new hire, promotion, demotion, or transfer) – starting base salary below \$1,826 biweekly

- a. Notify employee/supervisor that the employee is in one of the 'special classes' and will become FLSA-exempt when the employee's base salary crosses the \$1,826 biweekly threshold
- b. M-5 type 260 FLSA Class Code Change (265 for Non-Executive) to change the class code to the 50000 series class code if needed – let process
- c. New hire P1 to put new employee on the system
- d. Watch biweekly data warehouse reports for salary changes

Employee who has been hired for an affected job class (new hire, promotion, demotion, or transfer) – starting base salary above \$1,826 biweekly

- a. Notify employee/supervisor that the employee is in one of the 'special classes', but is FLSA-exempt because the employee's base salary is above the \$1,826 biweekly threshold
- b. M-5 type 260 FLSA Class Code Change (265 for Non-Executive) to change the class code to the FLSA-exempt class code if needed – let process
- c. New hire P1 to put new employee on the system
- d. Watch biweekly data warehouse reports

Employee who has crossed the wage threshold

- a. Verify that the increase P-1 bringing the employee's base salary above the \$1,826 biweekly threshold has processed
- b. Notify employee/supervisor of change prior to moving
- c. Process M-5 type 260 FLSA Class Code Change (265 for Non-Executive) to change the class code to the FLSA-exempt class code
- d. Process P-1 type 694 FLSA Class Code Change (695 for Non-Executive) to update the employee's record with the new class code
- e. Watch biweekly data warehouse reports